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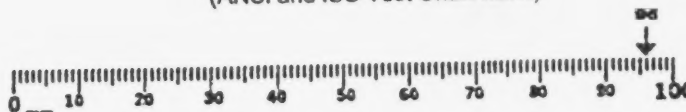
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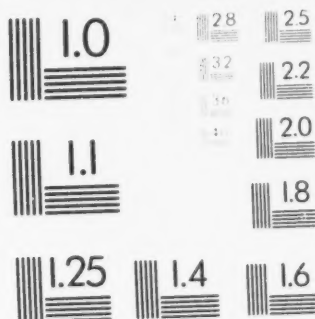
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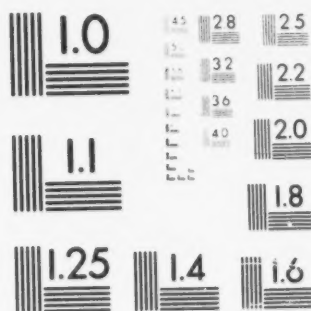
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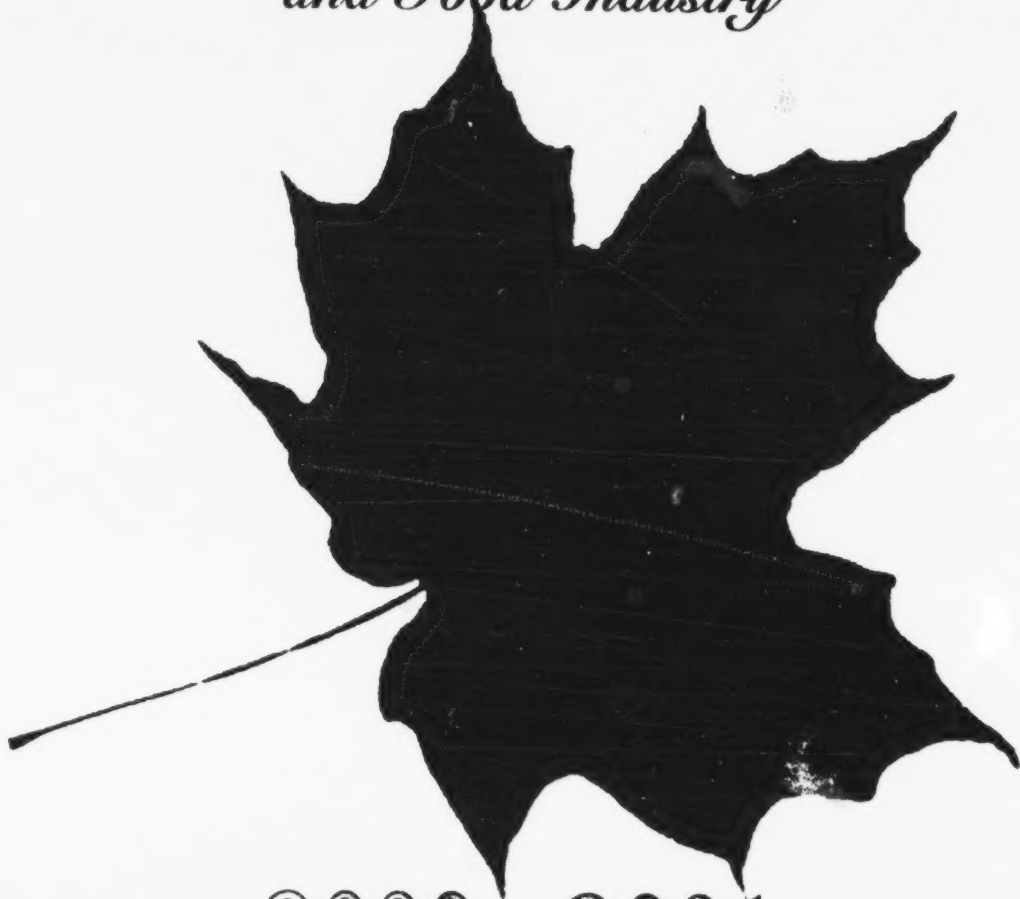
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Working Together

*To Strengthen Ontario's Agriculture
and Food Industry*



2000 - 2001 Annual Report

ISSN# 1488-6685





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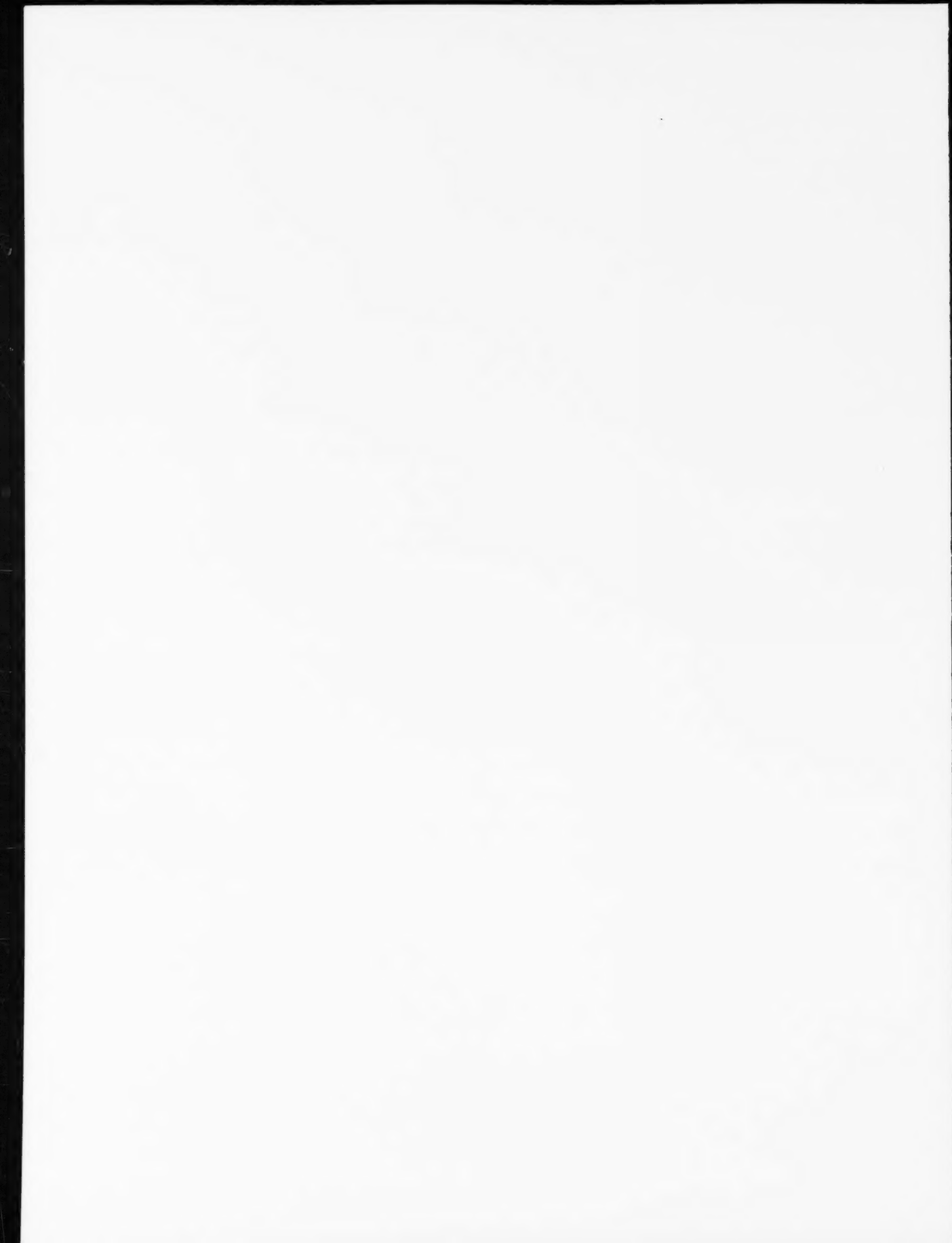
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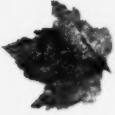
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AGRICORP™

Working Together to Strengthen Ontario's Agriculture and Food Industry





Message From the Chair

As Chair of AGRICORP, I'm pleased to report that 2000/01 was a highly successful year for the agency. The agency has come a long way from being primarily a risk management insurer to a multi purpose delivery organization.

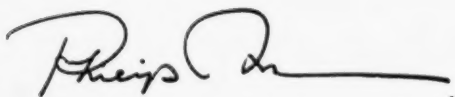
My message of a year ago conveyed the implementation of a new governance model for AGRICORP. The new operating model has proven to be very effective for governing the agency. Communication between Board committees, staff and OMAFRA has been enhanced which improved the effectiveness of both the Board and the staff organization.

An important highlight of the year was a review of our mandate. This review confirmed our mandate and resulted in the drafting of a new Memorandum of Understanding between the agency and OMAFRA and a new business plan to direct our activities. Over the next three years AGRICORP will focus its activities in providing quality customer service and operating efficiency to our customers. These strategic objectives will be applied to our program focus of delivering risk management and certification/verification programs.

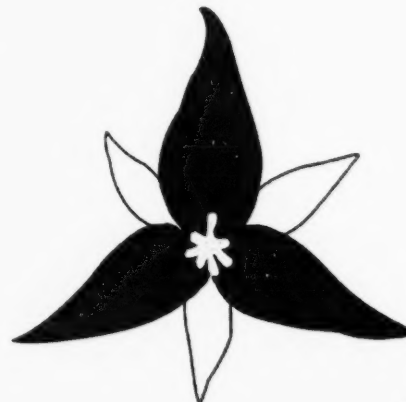
AGRICORP is currently involved in a number of delivery contracts including the Farm Business Registration Program as well as the Ontario Grain Stabilization Payment and the Canada-Ontario Edible Horticulture, Grain and Oilseed Payments on behalf of the provincial and federal governments. These new contracts bring us in contact with a wide range of agricultural activities and we will strive for efficiency and quality service in meeting our clients' expectations.

Our recent success is due in large part to the effort and dedication of our Chief Executive Officer, Alan Steel. Alan took the helm of the operating organization from interim CEO, Norris Hoag, in September and has capably guided AGRICORP over the last several months. The loyalty and enthusiasm of AGRICORP staff have given Alan great support and the Board can be confident of a strong future for the organization. On behalf of the Board I'd like to express my personal thanks to Norris for guiding AGRICORP through a transition period while the Board recruited a full - time CEO.

In closing, AGRICORP is well positioned to enter into new contracts to deliver programs on behalf of governments. We look forward to continued dialogue with the Ministry with the goal of delivering programs to the agriculture and food industry.



Philip Andrewes
Chair





Message From the CEO

I'm pleased to report that my first seven months as AGRICORP's CEO has been a very rewarding experience for me personally and professionally.

A good portion of my first few months at AGRICORP was spent getting to know the staff and Directors as well as gaining an in-depth understanding of the agency's operations and customer base. The dedication and hard work of staff as well as the support from the Board of Directors made my transition to a new position that much smoother. I'm very appreciative of that.

It's also been a pleasure meeting and getting to know farm leaders and customers. As a service organization we must always be cognizant of our customers' needs. My meetings with a wide range of farm leaders and customers from the various sectors of the agriculture and food industry have provided me with a great deal of insight regarding their needs and how AGRICORP can meet those needs.

Last October I had the opportunity to participate in a review of the agency's mandate with the Board of Directors. This was an important event for AGRICORP as it resulted in the drafting of a new Memorandum of Understanding with the Ministry of Agriculture, Food and Rural Affairs as well as the development of a long-term business plan for the organization. Our focus over the next three years is to deliver agricultural risk management and certification programs efficiently while providing the high level of service our customers deserve. This will be facilitated by the development of annual individual departmental plans.

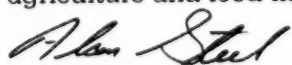
Operationally, the past year can be categorized as a huge success for AGRICORP. The AGRICORP Business Services (A.B.S.) Division increased the revenue it generated with the addition of a number of new contracts delivered on behalf of governments, including:

- The Farm Business Registration Program;
- The Ontario Grain Stabilization Payment; and,
- The Canada-Ontario edible horticulture, grain and oilseed payments.

These new programs increased the total number of programs delivered by the A.B.S. Division to eighteen.

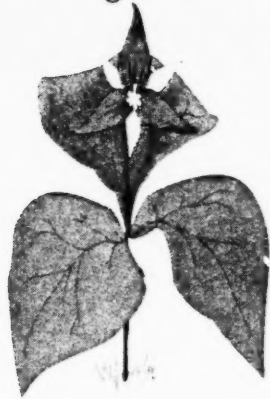
The difficult crop year experienced by farmers in terms of lower yields and low commodity prices resulted in more than \$144 million in crop insurance claim payments and \$125 million in market revenue payments respectively. These payments have gone a long way to assist farmers alleviate the effect of reduced income from the marketplace.

I'd like to thank all AGRICORP staff and Directors for their efforts over the past year. It is an honour to be working with such a dedicated and talented group of individuals. Together we have and will continue to build an effective agency delivering needed programs to Ontario's agriculture and food industry.



Alan Steel
Chief Executive Officer

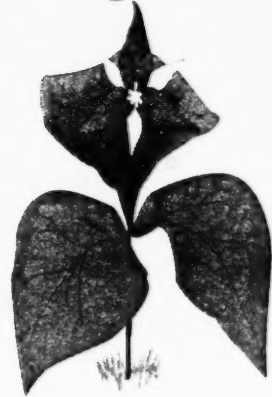
Management



Discussion &



Analysis



Sales & Marketing

Sales

Crop Insurance acres insured increased 1.7% to 3.73 million acres in 2000. The sales team's success was based on centre of influence and relationship selling strategies.

Other Sales successes in 2000 included:

- ❖ Successfully marketed low deductible options: average coverage purchased in 2000 was 84.4% versus 84.1% in 1999
- ❖ Cancellations minimized in 2000
- ❖ Participated in successful extension of self-declared yields. (77% of customer base)
- ❖ Participated in over 25 events with potential exposure to over 50,000 customers

Public Relations and Marketing Communications:

Since the creation of AGRICORP in 1997, one major focus has been to build and maintain relationships with our external stakeholders. The difficult nature of the 2000 crop year lead to many examples of outstanding customer service provided by AGRICORP staff to Ontario farmers.

Other PR and communications activities in 2000 included:

- ❖ Participated in 11 safety net information meetings on "Coping with Low Prices and Poor Crops" held across Ontario in Aug, 2000
- ❖ Crop Insurance Committee held annual consultations with commodity group partners seeking input to priority development for 2002 and beyond
- ❖ Crop production issues management was top priority in 2000 due to high incidence of production problems in most crops across the province
- ❖ Independent implementation of communications projects starting Aug, 2000 (formerly handled by an external agency)
- ❖ AGRICORP hosted the 2000 National Crop Insurance General Managers' Conference in Niagara Falls, Ontario including participants from Canada, United States and Mexico

Product Development

Our 2000 program development goals centred on providing flexible risk management tools that can be tailored to the needs of the individual producer and products that offer the highest possible coverage at the most affordable cost. Product development has two main components 1) plan maintenance to assure relevance and 2) product innovation.

Plan Maintenance:

- ❖ Over 10 separate product enhancements were made to crop plans as a result of plan maintenance in 2000

Product Innovation:

- ❖ Optional Unit Coverage Pilot Year 2 "Sliding Scale Coverage" – a pilot that allows participants that farm over large geographic areas, with differing risk profiles, to insure their farms as different insurance units.
- ❖ Implemented a new approach for forage insurance, essentially a weather derivative type of insurance package. This program in its simplest form offered growers insurance coverage for below average rainfall in their immediate area

Premium Rate Development

Premium rates decreased significantly in 2000. Many crop plans have experienced 50% decreases over the past two years. Decreases were due to a combination of lower commodity prices, good claims experience prior to 2000 and the strong financial position of the Ontario Crop Insurance Fund.

Program Delivery & Operations

In 2000, we continued to focus on providing quality service to our customers and improving the efficiency of our operations while maintaining program integrity. Customer self-declaration of yields was expanded to all grain & oilseed crops in 2000 resulting in significant operating efficiencies for the business.

Claims Division

Mother nature was uncooperative in 2000, providing a wet spring that resulted in large volumes of reseeding and unseeded acreage benefit claims and the wet weather continued into summer, resulting in production losses in most crops across the province. Over \$144 million dollars in claims were paid to customers in 2000. The claims team's main focus was to provide consistent, fair and timely claims adjudication to customers.

Other highlights:

- ❖ Effectively dealt and responded to the changing crop conditions that emerged over the course of the year
- ❖ Streamlined our adjusting processes for unseeded acreage benefit and reseeding benefit claims

- ❖ Successfully trained and equipped fruit adjusters with computers improving customer service and enabling the direct entry of underwriting data by adjusters into the database
- ❖ Customers continued to rate AGRICORP's claims process as above average during one of our busiest claim years

Customer Action Centre (CAC)

The CAC (call centre) continued to provide quality service to customers with live access to knowledgeable and trained bilingual customer service representatives. The call centre provides toll free access to customers with extended hours of operation during the growing season and a weekend answering service available to handle emergency situations for our customers.

2000 Highlights:

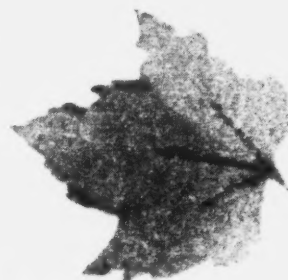
- ❖ Answered over 116,000 inbound telephone calls
- ❖ Sold 40,000 acres of insurance to customers over the telephone
- ❖ Customer satisfaction survey results indicate the CAC remains highly rated by its customers across all measures despite 100% increase in call volume

Crop Insurance Specialized Services (CISS)

The CISS team focused on operationalizing our marketing initiatives and providing claims support and crop plan expertise to our customers. The team calculated and processed over 16,000 crop insurance claim payments.

Other 2000 highlights:

- ❖ Successfully implemented a new internet based fruit application reducing duplication of work and enabling improved service to customers
- ❖ Administered the optional unit coverage pilot and forage weather derivative plans
- ❖ Implemented a new forage computer program enabling more timely claim payments and reduced maintenance costs
- ❖ Streamlined renewal process in place for all crop plans



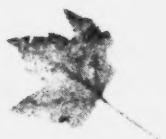


Human Resources

Recognizing the critical value of our people, AGRICORP places strategic importance on Human Resources. Implementing innovative and market competitive human resources practices, AGRICORP is pleased to report that during the 2000/2001 fiscal year, turnover and absentee rates both were below national averages. Our internal job-posting program resulted in a 100% internal placement rate for management positions.

In addition to introducing new people practices to deal with an extremely competitive employment market, AGRICORP placed a major focus on re-aligning its departmental structure to better suit its strategic business direction. We also enhanced our performance management system to encourage improved performance results from all our employees.

AGRICORP will continue to focus on developing, hiring and retaining individuals who are service and performance oriented, in keeping with the AGRICORP vision.



Information Technology

During fiscal year 2000 / 2001, a major infrastructure project was completed successfully as part of the continuing process to gain efficiency and reduce operating costs. AGRICORP purchased its own mainframe computer to host the Crop Insurance and Market Revenue application systems. The option of owning versus purchasing the computer time from a third party supplier provided an annual saving of \$400,000.00.

A new project was also completed to facilitate client registrations and payments for the Farm Business Registration Program. This marks the first internet based customer service tool deployed by AGRICORP. It facilitates self-registration by clients using the internet, at their convenience, while reducing administrative costs; another demonstration of AGRICORP's commitment to customer service and sound fiscal management.





Business Services (ABS) Division

Overview

The AGRICORP Business Services (ABS) Division provides a wide variety of value-added services to the Ontario agriculture and food industry.

The Division continues to deliver several specialized services including agricultural and horticultural commodity grading, sampling, inspection, testing and financial protection services through Agri-Food Services, Leamington and Financial Protection Services, Guelph.

In addition, AGRICORP offers several other 'virtual business' services, which utilize the corporate workforce, through the ABS division. Assisting the Ministry of Agriculture, Food and Rural Affairs in the production of safety net and other program cheques is an example of a virtual business service.

In 2000/01, ABS negotiated a contract with the Ministry of Agriculture, Food and Rural Affairs to deliver of the Ontario Farm Business Registration Program.

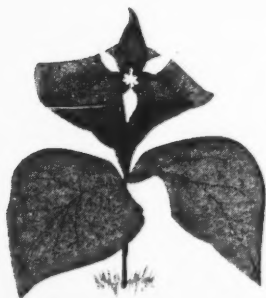
In 2000/01, ABS delivered on contracts totaling \$1.5 million.

Agri-Food Services, Leamington

This unit of ABS continues to deliver commodity grading, sampling, inspection and testing services for several horticultural and agricultural crops. The range of services includes third-party product quality grading, plant seedling counts, crop acreage measurement, crop monitoring, inspection and calibrating of grading equipment, and crop sampling for chemical residues.

Renewals of existing service contracts, primarily with the processing vegetable sector and the flue-cured tobacco industry, remain the focus of this unit. Expertise required and developed to meet the contracted requirements provides the platform for seeking new business opportunities.

The alliance with the Canadian Grain Commission (CGC) continues to be successful. By AGRICORP providing grain-sampling services to CGC standards, the Ontario grain industry can take advantage of overall reduced costs for product certification.



Financial Protection Services

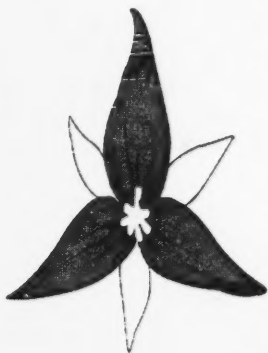
Under an agreement with the Minister of Agriculture, Food and Rural Affairs and the Grain Financial Protection Board, this unit continues to provide financial analysis, licensing and inspection services with respect to the Ontario Grain Financial Protection Program. In addition, secretariat services are provided to the Grain Financial Protection Board. Financial Protection programs are administered for grain corn, soybean and canola commodity groups.

Financial Protection Services successfully completed the first year of delivering the Dairy Credit Program under contract with the Dairy Farmers of Ontario. The contract has been renewed and the unit will continue to deliver the program.

Farm Business Registration Program

In November 2000, ABS completed negotiations with the Ministry of Agriculture, Food and Rural Affairs to take over and deliver the Farm Business Registration Program. Over 56,000 renewals were sent out.

By taking advantage of existing resources within AGRICORP, in particular the corporate call centre and information technology expertise, Ontario farmers were given several new options for registering their farm business. Farmers can now register by telephone or through the internet. It is expected that an increased number of farmers will take advantage of these options next year.



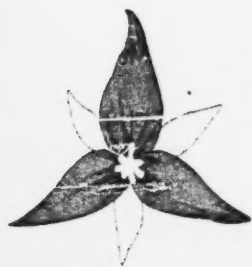
Outlook

Our relationships with the Ministry, commodity groups, industry associations and the general farm organizations are very important to the success of ABS. Successfully renewing existing contracts provides a stable base as well as opportunities to secure new service contracts.

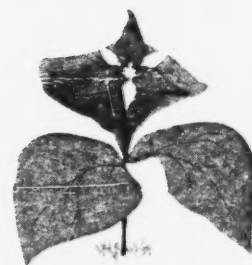
The focus for the immediate future is to work with the Ministry and explore opportunities as an alternate provider of government programs. We are confident that AGRICORP can be an effective and efficient option. We will also respond to the agri-food industry's needs when our corporate skills and competencies can be utilized.

Looking ahead, AGRICORP is continuing to monitor discussions within the agriculture and food sectors regarding on-farm issues such as financial safety nets, food safety and nutrient management. AGRICORP is well positioned to offer new services to assist in addressing such issues.





Financial Highlights



Crop Insurance Fund

Total farmer premium for the year totaled \$31.6 million, a decrease of 10.7% from the previous year. This decrease was due to lower premium rates (10% for corn and 22% lower for soybeans). The actual number of acres insured increased a modest 1.7% to 3.73 million acres for the 2000 crop year. Soybeans remained the top crop for the year on all the key measures, premium, amount of insurance and acreage insured. Corn was a close second.

Crop Insurance Fund investment income was \$20.3 million for the year, a 32.5% increase over the previous year. That was due to a combination of a larger average asset balance in the fund and by a higher rate of return. The Fund earned 6.72% over the year versus 5.25% the previous year. Early in the year the Board of Directors decided to allow the contract with an external investment counselor to lapse. AGRICORP's Finance staff assumed investment management responsibility with oversight provided by the Board and quarterly reviews by a major firm of Chartered Accountants.

Claims for the year reached \$144.2 million. This represents the 2nd largest payout in the 33 year history of crop insurance in Ontario. The largest ever payout was \$165 million in 1992. The following table compares claims paid with producer premium for the crops with the largest losses in 2000:

(\$ millions)	Producer Premium	Claims Paid
Corn	\$8.6	\$47.2
Soybeans	\$9.0	\$27.8
Tobacco	\$2.6	\$23.8

Reinsurance was a huge factor in the Crop Insurance Fund results for the year. With the assistance of our broker, management obtained the participation of 28 national and international insurance companies to share the risk for the 2000 crop. The policy called for the Crop Insurance Fund to pay the first \$94.9 million in claims with the reinsurers liable for the majority of the next \$94.9 million. Actual reinsurer paid claims for the year amounted to \$44.2 million plus a \$1.2 million reimbursement of claims adjusting expenses incurred by AGRICORP.

The acquisition of reinsurance for the past three crop years has proven to be a wise and timely decision by management as demonstrated by the following:

Crop Year	Reinsurance Premium (\$ millions)	Reinsurance Claims (\$ millions)
1998	\$8.0	none
1999	\$6.1	none
2000	<u>\$5.6</u>	<u>\$45.5</u>
Cumulative	<u>\$19.7</u>	<u>\$45.5</u>

Despite the second worst claims year on record the Crop Insurance Fund declined by only \$21.9 million or 6.8%, an indication of the strength and stability of the program.

Of note is the fact the Fund was owed \$18.3 million at March 31, 2001. The Federal government owed \$5.6 million for premium matching, the Province owed \$2.8 for the same reason, reinsurers owed \$8.6 million for claims and producers owed \$1.2 million in premium.

Market Revenue Program

During the year, an extension to the federal/provincial Market Revenue Agreement was signed extending the program for the 1999 and 2000 crop years. Included were changes to increase the maximum interim payment to 80% of the total estimated from 50% and elimination of re-admission penalties. Beyond that, the program will be reviewed in the context of the "Made in Ontario" safety net structure.

The Federal government contributed \$48.9 million to cover both the 1999 and 2000 crop years. The provincial government contributed \$23.8 million for the 2000 crop year. The program does not require producer contributions.

Interest income on the program fund amounted to \$12.3 million or stated another way, a 5.42% rate of return. The program funds are not managed by AGRICORP.

Low commodity prices will trigger payment of an estimated \$125.3 million. Including the estimated final payment, the following are the top three crops:

(\$ millions)	Estimated Payout
Soybeans	\$45.5
Winter Wheat	\$36.8
Corn	<u>\$34.2</u>
	<u>\$116.5</u>

The value of the fund declined by \$40.5 million over the course of the year.

General Fund

Revenue was generated by the AGRICORP Business Services Division from the following activities:

(\$ thousands)	
Grading and Sampling	\$ 602
Financial Protection	\$ 376
Farm Business Registration	\$ 352
Cheque Production	\$ 186
Other	<u>\$ 28</u>
	<u>\$1,544</u>

After expenses, a surplus of \$91,000 was generated for the year despite having invested \$354,000 in establishing the Farm Business Registration administration infrastructure.

Management's Responsibility For Financial Reporting

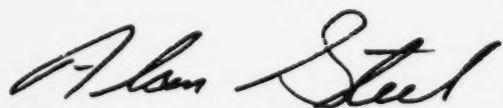
The accompanying financial statements and the financial information in the annual report have been prepared by management. The financial statements have been prepared in accordance with generally accepted accounting principles. Management is responsible for the accuracy, integrity and objectivity of the information contained in the financial statements. Financial information contained elsewhere in the annual report is consistent with that contained in the financial statements.

The financial statements include some amounts, such as provision for unsettled indemnities that are necessarily based on management's best estimates and have been made using careful judgement.

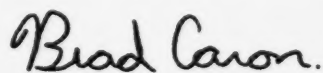
In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. The systems include formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal control. The Board meets regularly to oversee the financial activities of the Agency and annually reviews the financial statements.

The financial statements have been examined independently by the Office of the Provincial Auditor on behalf of the Legislature and the Board of Directors. The Auditor's Report outlines the scope of their examination and expresses their opinion on the financial statements of the company.



Alan Steel
Chief Executive Officer



J. Bradley Caron
Chief Financial Officer

Office of the
Provincial Auditor
of Ontario



Bureau du
vérificateur provincial
de l'Ontario

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Auditor's Report

To AgriCorp
and to the Minister of Agriculture, Food and Rural Affairs

I have audited the balance sheet of AgriCorp as at March 31, 2001 and the statements of operations and fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
June 15, 2001


J.R. McCarter, CA
Assistant Provincial Auditor

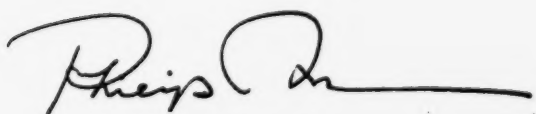
Balance Sheet

As at March 31, 2001

	2001 (\$000s)	2000 (\$000s)
ASSETS		
Cash	3,623	599
Accounts receivable (Note 4)	48,341	11,103
Funds under administration (Note 5)	18,457	29,878
Investments (Note 6)	294,000	324,331
Due from the Minister of Finance (Note 7)	229,601	237,337
Capital assets (Note 8)	712	752
	<u>594,734</u>	<u>604,000</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable and accrued liabilities	2,595	1,949
Unearned premiums and revenue (Note 9)	8,823	9,836
Provision for unsettled indemnities	130,124	65,300
Funds under administration payable (Note 5)	18,457	29,878
	<u>159,999</u>	<u>106,963</u>
Fund Balances (Note 1)		
General Fund	1,526	1,435
Ontario Crop Insurance Fund	300,765	322,646
Market Revenue Program	132,444	172,956
	<u>434,735</u>	<u>497,037</u>
	<u>594,734</u>	<u>604,000</u>

See accompanying notes to financial statements.

On behalf of the Board:



Chair



Chief Executive Officer

Statement of Operations and Fund Balance

General Fund

For the Year Ended March 31, 2001

	2001 (S000s)	2000 (S000s)
Revenue		
Operating funding (Note 10)	10,090	15,472
Sales, consulting and other services	1,544	1,070
Interest Income	99	(144)
Reinsurance adjusting costs received (Note 11)	1,217	—
	<u>12,950</u>	<u>16,398</u>
Expenses		
Selling, general and administrative	12,313	15,874
Depreciation	546	616
	<u>12,859</u>	<u>16,490</u>
Excess (deficiency) of revenue over expenses	91	(92)
Fund balance, beginning of year	<u>1,435</u>	<u>1,527</u>
Fund balance, end of year	<u><u>1,526</u></u>	<u><u>1,435</u></u>

See accompanying notes to financial statements.

Statement of Operations and Fund Balance

Crop Insurance Fund



For the Year Ended March 31, 2001

	2001 (\$000s)	2000 (\$000s)
Revenue		
Premium from insured producers	31,646	35,447
Premium funding - Ontario and Canada (Note 3)	31,646	35,447
Interest and investment income	20,260	15,286
Reinsurance received (Note 11)	44,240	—
Bad debt recoveries	98	278
	<u>127,890</u>	<u>86,458</u>
Expenses		
Indemnities (Note 12)	144,174	32,415
Reinsurance (Note 11)	5,597	6,149
	<u>149,771</u>	<u>38,564</u>
Excess (deficiency) of revenue over expenses	(21,881)	47,894
Fund balance, beginning of year	<u>322,646</u>	<u>274,752</u>
Fund balance, end of year	<u><u>300,765</u></u>	<u><u>322,646</u></u>

See accompanying notes to financial statements.



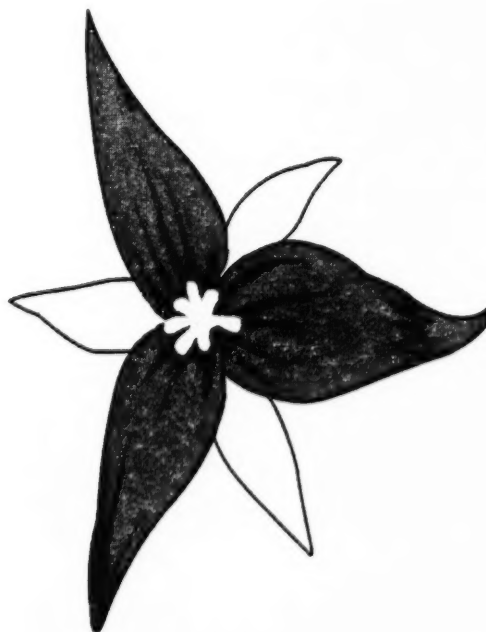
Statement of Operations and Fund Balance

Market Revenue Program

For the Year Ended March 31, 2001

	2001 (\$000s)	2000 (\$000s)
Revenue		
Premium funding – Ontario and Canada (Note 3)	72,512	11,984
Interest income	12,319	15,035
	<u>84,831</u>	<u>27,019</u>
Expenses		
Indemnities (Note 12)	<u>125,343</u>	<u>142,125</u>
Excess (deficiency) of revenue over expenses	(40,512)	(115,106)
Fund balance, beginning of year	<u>172,956</u>	<u>288,062</u>
Fund balance, end of year	<u>132,444</u>	<u>172,956</u>

See accompanying notes to financial statements.



Cashflow Statement

For the Year Ended March 31, 2001

	2001 (\$000s)	2000 (\$000s)
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenses		
▪ General Fund	91	(92)
▪ Ontario Crop Insurance Fund	(21,881)	47,894
▪ Market Revenue Program	(40,512)	(115,106)
Adjustments to reconcile net income to funds provided by operating activities		
▪ Depreciation	546	616
▪ Net change in working capital	34,955	26,258
Cash flows from operating activities	<u>(26,801)</u>	<u>(40,430)</u>
Cash Flows from Investing Activities		
Purchase of capital assets	(506)	(381)
Decrease/(Increase) in investments	30,331	(39,656)
Cash flows used in investing activities	<u>29,825</u>	<u>(40,037)</u>
Net decrease in cash	3,024	393
Cash at beginning of year	<u>599</u>	<u>206</u>
Cash at end of year	<u>3,623</u>	<u>599</u>
See accompanying notes to financial statements.		



Notes to Financial Statements

March 31, 2001

1. NATURE OF OPERATIONS

The *AgriCorp Act, 1996* established AgriCorp as a new Crown agency effective January 1, 1997. The Corporation was established without share capital. Its mandate is to design and deliver agricultural safety net plans and other food products and services to the farm, food and rural sectors of Ontario. Current safety net programs include Crop Insurance and the Market Revenue Program.

The Ontario Crop Insurance Fund was established in 1966 and currently operates pursuant to the *Crop Insurance Act (Ontario), 1996*. The program provides growers with protection on all major crops grown in Ontario, against yield reduction caused by natural perils.

The Market Revenue program was established pursuant to the Interim Gross Revenue Insurance Plan (GRIP) agreement established by the Government of Canada with the provinces and commenced operations on April 1, 1991. The Program protects farmers against reduced income caused by low market prices of certain designated crops.

In January 2001, AgriCorp assumed responsibility from the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) for the delivery of the Farm Business Registration Program established under the *Farm Registration and Farm Organizations Funding Act, 1993*. AgriCorp's obligations under an agreement with OMAFRA primarily include registration of farm businesses, collection of registration fees and forwarding of receipts to Ontario's accredited General Farm Organizations.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The Corporation's financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Canadian Institute of Chartered Accountants.

(b) Capital Assets

Capital assets are stated at cost less accumulated depreciation. Depreciation is provided using the straight line method over the estimated useful life of the assets as listed below.

Furniture and fixtures	4 years
Vehicles	4 years
Machinery and equipment	4 years
Computer hardware	3 years
Computer software	2 years
Leasehold improvements	remaining life of the lease

(c) Pension Plan

Full-time employees participate in a mandatory contributory defined benefit pension plan administered by a third-party administrator. The Corporation matches employees' contributions. The cost of pension benefits for the defined benefit plan is actuarially determined by an independent actuary using the projected benefit method prorated on services and management's best estimates. Pension plan assets are valued using current fair values and adjustments are amortized on a straight-line basis over the actuarial average remaining service life of the employee group.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investments

Interest income, gains and losses on disposal, amortization of premiums and discounts and write-downs to market value are reported in investment income. Market Revenue, Crop Insurance and General Fund cashflows and investments are segregated avoiding the need for allocation of investment income. Short-term investments are acquired primarily for the purpose of liquidity and are intended to be held for less than one year. Short-term investments are carried at cost which approximates market value. Long-term investments are recorded at cost net of accumulated premiums and discounts amortized over the term to maturity.

(e) Provision for Unsettled Indemnities

Provision for unsettled indemnities represents management's best estimates of amounts to be paid. Some commodity price variables for the Market Revenue Program payment calculations cannot be finalized until the end of the 2001 calendar year. Certain Crop Insurance claims remained unsettled at year-end and were either quantified based on settlement amounts after year-end or management estimates were made.

(f) Revenue Recognition

Premiums received in the period are deferred for crops which will be harvested subsequent to the end of the fiscal year.

3. CANADA-ONTARIO COST SHARING AGREEMENTS

(a) Crop Insurance

The current Canada-Ontario Crop Insurance Agreement came into effect April 1, 1997 and has no explicit expiry date. It can be terminated by either party with advance notice of two complete fiscal years. Under the terms of the Agreement, the Province and the Federal government share equally the cost of 50% of the premium with the producers paying the remaining 50%. The two levels of government share equally the selling, general and administrative expenses.

(b) Market Revenue

In September 2000, the Governments of Canada and Ontario extended the Canada-Ontario Market Revenue Agreement to include the 1999 and 2000 crop years. Under the terms of the Agreement, the Federal government is required to contribute \$10 million to the Market Revenue Program on November 1st of each year. Canada will also contribute amounts per fiscal year subject to the availability of funds for this program. Ontario's contribution to the program is based on the residual funds available after deducting the contributions made to other programs from the total amount appropriated annually for safety net support. The Province and the Federal government each share equally in the cost of the selling, general and administrative expenses.

4. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	2001 (\$000s)	2000 (\$000s)
Government funding	36,505	9,425
Accrued interest	27	35
Producer premiums, net	2,504	1,355
Trade	353	288
Reinsurance receivable	8,952	—
	<u>48,341</u>	<u>11,103</u>

5. FUNDS UNDER ADMINISTRATION

The Corporation provides cheque production and cash management services for agricultural programs under various agreements with the Ontario Ministry of Agriculture, Food and Rural Affairs. The funds required to make payments under these programs are provided by Ontario and Canada.

	2001 (\$000s)	2000 (\$000s)
Funds Under Administration		
Short-term investments	111,673	30,355
Outstanding payments	<u>(93,216)</u>	<u>(477)</u>
	<u>18,457</u>	<u>29,878</u>
 Funds Under Administration Payable		
Ontario Whole Farm Relief Program	11,013	29,783
Ontario Farm Income Disaster Program	4,922	—
Ontario Grain Stabilization Payment	2,261	—
Ontario Farm Business Registration Program	144	—
Other	<u>117</u>	<u>95</u>
	<u>18,457</u>	<u>29,878</u>

6. INVESTMENTS

Legislation restricts the Corporation's investments to highly liquid, high grade money market instruments such as federal and provincial bonds, deposit notes issued by domestic financial institutions and other securities approved by the Minister of Finance.

(a) Portfolio Profile

Investments are as follows:

	2001		2000	
	Carrying Amount (\$000s)	Fair Value (\$000s)	Carrying Amount (\$000s)	Fair Value (\$000s)
Short-term	16,731	16,659	92,052	91,958
Long-term				
Government of Canada	47,965	46,961	54,823	53,363
Province of Ontario	32,609	33,305	32,831	32,091
Other provincial governments	48,734	48,106	51,229	48,420
Provincial utilities	46,685	46,612	47,306	45,270
Other financial institutions	101,276	101,032	46,090	43,735
Total long-term	<u>277,269</u>	<u>276,016</u>	<u>232,279</u>	<u>222,879</u>
Total Investments	<u>294,000</u>	<u>292,675</u>	<u>324,331</u>	<u>314,837</u>

(b) Investment Risk

The coupon rates for the long-term bond portfolio ranged from 5.0% to 10.875% with a weighted average yield of 6.56%. Fluctuations in interest rates could have a significant impact on the market value of the bond portfolio. This could result in realized gains or losses if actual claims levels differed significantly from expected and quick liquidation of assets were required to meet obligations. At March 31, 2001, a 1% move in interest rates could impact the market value by approximately \$9.9 million but bonds are generally held to maturity.

(c) Maturity Profile of the Investment Portfolio

	2001 (\$000s)	2000 (\$000s)
< 1 Year	16,731	92,052
1-3 Years	53,032	4,269
3-5 Years	58,509	17,696
> 5 Years	165,728	210,314
Total	<u>294,000</u>	<u>324,331</u>

7. DUE FROM THE MINISTER OF FINANCE

Pursuant to Order-in-Council 1546/91, an account has been established in the Ontario Government's Consolidated Revenue Fund to receive Market Revenue Program contributions from Canada and Ontario. Interest is paid quarterly on the account's average daily closing value based on the average Bank of Canada treasury bill rate. This account is used to administer the Program and cannot be accessed for the general operating, financing and investing activities of AgriCorp.

8. CAPITAL ASSETS

	March 31, 2001			2000
	Cost (\$000s)	Accumulated Amortization (\$000s)	Net Book Value (\$000s)	Net Book Value (\$000s)
Computer hardware	1,382	957	425	490
Computer software	996	832	164	112
Leasehold improvements	115	83	32	55
Machinery and equipment	108	32	76	65
Vehicles	50	44	6	19
Furniture and fixtures	18	9	9	11
	2,669	1,957	712	752

9. UNEARNED PREMIUMS AND REVENUE

Unearned premiums represent premiums paid in advance to the Ontario Crop Insurance Fund for winter wheat (\$3.99 million), forage (\$2.00 million) and other crops (\$1.99 million). These crops are not harvested until after the end of the fiscal year giving rise to the deferral of the premiums. Unearned revenue (\$0.84 million) includes operating funding related to the unamortized value of capital assets.

10. OPERATING FUNDING

Canada and Ontario have agreed to share equally the costs of administering the Ontario Crop Insurance Fund and the Market Revenue Program. The Federal contribution shall not be more than the provincial share even if that amounts to less than 50% of the incurred costs. Based on a reasonable estimate of the administrative workload, these costs are allocated to the Fund and Program 95% and 5%, respectively.

11. REINSURANCE AGREEMENT

In May 1998, a program of reinsurance was entered into with a number of insurance carriers. This program provides for the reinsuring companies to assume crop insurance losses from 150% to 300% of total premiums.

11. REINSURANCE AGREEMENT (CONTINUED)

For the 2000 crop year, crop insurance losses surpassed the established threshold for reinsurance coverage. Payments made by reinsurance companies represent claims submitted for crop losses as well as adjusting costs incurred by the Corporation.

12. INDEMNITIES

The Ontario Crop Insurance Fund's operating results for the current period includes a \$1.05 million under-provision for unsettled indemnities as at March 31, 2000 (1999 - \$6,600 over-provision for indemnities).

The Market Revenue Program's operating results for the current period includes a \$711,000 over-provision of unsettled indemnities as at March 31, 2000 (1999 - \$14.1 million under-provision). In addition, the Market Revenue Program's operating results for the current period include a provision for unsettled indemnities relating to the 2000 crop year of \$126.1 million (1999 - \$64.3 million).

13. SEGMENTED INFORMATION

	General Fund	Crop Insurance Fund	Market Revenue Program	Total 2001	Total 2000
	(\$000s)				
Assets					
Cash	1,367	2,256	—	3,623	599
Accounts receivable	1,064	18,276	29,001	48,341	11,103
Funds under administration	18,457	—	—	18,457	29,878
Investments	693	293,307	—	294,000	324,331
Due from the Minister of Finance	—	—	229,601	229,601	237,337
Capital assets	712	—	—	712	752
Inter-fund receivables/(payables)	552	(475)	(77)	—	—
	22,845	313,364	258,525	594,734	604,000
Liabilities					
Accounts payable and accrued liabilities	2,023	545	27	2,595	1,949
Unearned premiums and revenue	839	7,984	—	8,823	9,836
Provision for unsettled indemnities	—	4,070	126,054	130,124	65,300
Funds under administration payable	18,457	—	—	18,457	29,878
	21,319	12,599	126,081	159,999	106,963
Fund Balances	1,526	300,765	132,444	434,735	497,037
	22,845	313,364	258,525	594,734	604,000

14. PENSION PLAN

The Corporation has a mandatory contributory defined benefit plan for its full-time employees. The plan was set up effective January 1, 1997. Based on a financial statement prepared by the plan's actuary, the present value of the accrued pension obligation and the fair value of the net assets available to provide for the obligation, are as follows:

	2001 (\$000s)	2000 (\$000s)
Accrued pension obligation	1,915	1,504
Fair value of plan assets	<u>1,873</u>	<u>1,612</u>
Pension plan surplus (deficit)	<u>(42)</u>	<u>108</u>

Certain assumptions were made in determining the pension obligation. Plan assets were assumed to earn 7.5% per year, salary escalation was assumed to be 5% per year and 7% was used as the discount rate.

The pension plan moved from a surplus to a deficit during the fiscal year due to negative investment earnings. Plan assets are invested in three balanced funds and one global equity fund.

	2001 (\$000s)	2000 (\$000s)
Fair value of plan assets - beginning	1,612	921
Contributions by the corporation	248	272
Contributions by the employees	248	263
Benefit payments	(164)	(85)
Return on plan assets	<u>(71)</u>	<u>241</u>
Fair value of plan assets - ending	<u>1,873</u>	<u>1,612</u>

To date, the Corporation has an accrued pension benefit liability as follows:

	2001 (\$000s)	2000 (\$000s)
Accrued benefit liability - beginning	28	23
Pension expense for the year	253	277
Contributions by the corporation	<u>(248)</u>	<u>(272)</u>
Accrued benefit liability - ending	<u>33</u>	<u>28</u>

15. RELATED PARTY TRANSACTIONS

The Corporation has entered into several agreements to acquire services from the Ontario Ministry of Agriculture, Food and Rural Affairs. Under the terms of the agreements the Corporation paid the Ministry \$324,987 during the year. These services, assessed at fair market value, include the utilization of postage, courier, copy, and legal services. The Corporation paid the Management Board Secretariat \$304,081 for mainframe computer services. In addition, the Corporation paid the Ontario Realty Corporation \$320,735 to rent their head office location.

16. BOARD REMUNERATION AND SALARY DISCLOSURE

Total remuneration to members of the Board of Directors was \$53,240 during the year ending March 31, 2001 (2000 - \$84,500).

The *Public Sector Salary Disclosure Act, 1996*, requires the Corporation to disclose employees paid an annual salary in excess of \$100,000. For the 2000 calendar year, the Corporation's Chief Information Officer, Mr. Brett McClelland, was paid a salary of \$102,035 plus taxable benefits of \$8,316, and the General Manager, Crop Insurance, Mr. George Sutton was paid a salary of \$100,210 plus taxable benefits of \$7,743.

17. LEASE COMMITMENTS

The Corporation is committed under operating leases on leased premises with future minimum rental payments due as follows:

	(\$000s)
2002	170
2003	170
	<u>340</u>

18. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the current year's presentation.



Board of Directors

As at March 31, 2001

Chair:	Philip Andrewes	Vice Chair:	Lynne Cohoe
Directors:	Herm Dick	Ron Pearson	Mike Soenens
	Klaus Wand	John Shrubb	Owen Dobbryn
	Larry Van Acker	Henry Aukema	Maurice Waddick
	Dave Hope		

Executive Committee

Chair:	Philip Andrewes	Vice Chair:	Lynne Cohoe
Directors:	Maurice Waddick	Henry Aukema	Dave Hope



Crop Insurance Committee

Chair:	Lynne Cohoe	Vice Chair:	Ron Pearson
Directors:	Herm Dick	Mike Soenens	Klaus Wand
	Owen Dobbryn	John Shrubb	Larry Van Acker

Market Revenue Appeals Advisory Committee

Chair:	Owen Dobbryn	Vice Chair:	Ron Pearson
Director:	Lynne Cohoe		



As of March 31, 2001

Officers

Alan Steel
Chief Executive Officer

J. Bradley Caron
Treasurer

Matt Tulloch
Corporate Secretary

Senior Management Team

Michael Vlcek
Director, Marketing & Sales

Andrea Iturriaga
Director, Program Delivery and Operations

Pauline Holman
Director, Human Resources

Stephen Ip
Director, Information Technology

Greg Brown
Executive Director, AGRICORP Business Services